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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

MAR 12 2008

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF: )  
)  
THE APPLICATION OF KENTUCKY-AMERICAN )  
WATER COMPANY FOR A CERTIFICATE OF )  
CONVENIENCE AND NECESSITY AUTHORIZING )  
THE CONSTRUCTION OF KENTUCKY RIVER )  
STATION II, ASSOCIATED FACILITIES AND )  
TRANSMISSION MAIN )

CASE NO. 2007-00134

NOTICE OF FILING OF RESPONSES  
TO MARCH HEARING DATA REQUESTS

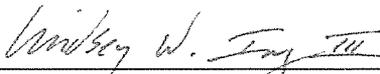
Kentucky-American Water Company ("Kentucky American Water") gives notice of the filing of its attached responses to the hearing data requests made at the March 5-6, 2008 evidentiary hearing in this matter.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that the original and eight (8) copies of the foregoing will be filed with the Public Service Commission on the 12<sup>th</sup> day of March, 2008 and a copy mailed and e-mailed to:

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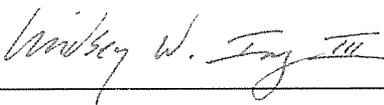
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By 

**KENTUCKY-AMERICAN WATER COMPANY  
CASE NO. 2007-00134**

**HEARING DATA REQUESTS TO KENTUCKY AMERICAN WATER  
Item 1 of 4**

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1. Provide the wheeling amounts set forth in Mr. Walker's Schedule 5 (KAW March Hearing Exhibit No. 14) at a per thousand gallon rate.

**Response:**

It is speculative and impractical to provide a per thousand gallon rate to the wheeling amounts discussed by Mr. Walker at the March 2008 hearing in this matter. As Mr. Walker testified, lines 56, 57 and 58 of his Schedule 5 (KAW March Hearing Exhibit No. 14) set forth the wheeling costs that owners of Section 2A of the Louisville pipeline would seek to recover from KAW customers for the owners' capital investment, operation and maintenance expense, and mark-up, respectively. Additionally, those lines show the amount that any such owners would seek to recover in each year from 2010 to 2030. As Schedule 5 demonstrates, the amount to be recovered per year increases because the operation and maintenance expense for Section 2A will increase over time. Likewise, the mark-up that will be sought by the owners of Section 2A increases over time.

The reason it is speculative and impractical to reduce the wheeling cost to a per thousand gallon rate is that the quantity of water that would be wheeled is unknown. There may be days, months or even years in which the quantity of water wheeled would be relatively low and other days, months or years when it would be relatively high. Consequently, KAW has no way of knowing what accounting methodology or formula the owners of Section 2A would require.

Section 2A owners could require some sort of formula that has fixed and variable (dependent on wheeled quantity) components to it. In fact, KAW would expect that the capital cost component of the wheeling charge (line 56) would be fixed and not vary with the volume of water wheeled, while the operation and maintenance component of the wheeling charge would vary depending on the volume of water being wheeled.

Instead of or in addition to the formula mentioned above, Section 2A owners could impose some sort of retroactive methodology that would call for retroactive truing up of amounts owed based on actual wheeled quantity. Finally, it is possible that Section 2A owners will seek to attempt to recoup their investment in a way that is not tied to the amount of water wheeled at all. Given that KAW would have to reserve at least 20 MGD of "pipeline capacity" to protect its customers, Section 2A owners could simply charge a periodic flat fee that would result in their recovery of the amounts in lines 56, 57 and 58 -- regardless of the amount of water that flows through Section 2A.

Unless Section 2A becomes a reality, the method by which Section 2A owners will get

paid is unknown. It can be stated with certainty that Section 2A owners, at a minimum, will seek to recoup the amounts shown in lines 56, 57 and 58. However, without knowing more, it is pointless to reduce the amount to a per thousand gallon rate.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00134**  
**HEARING DATA REQUESTS TO KENTUCKY AMERICAN WATER**  
**Item 2 of 4**

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2. Provide KAW's March Hearing Exhibit No. 12 in its electronic native format.

**Response:**

Please see the e-mail from KAW's counsel to all parties dated March 11, 2008.

**KENTUCKY-AMERICAN WATER COMPANY**  
**CASE NO. 2007-00134**  
**HEARING DATA REQUESTS TO KENTUCKY AMERICAN WATER**  
**Item 3 of 4**

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3. Provide Mr. Walker's economic model in its electronic native format.

**Response:**

Please see the e-mail from KAW's counsel to all parties dated December 10, 2007 and KAW's December 10, 2007 Response to November Hearing Data Request No. 12.

**KENTUCKY-AMERICAN WATER COMPANY  
CASE NO. 2007-00134**

**HEARING DATA REQUESTS TO KENTUCKY AMERICAN WATER  
Item 4 of 4**

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4. Provide the incremental operation and maintenance expense that will result when KAW's proposed facilities are required to produce more than 6 MGD during expected peak periods.

**Response:**

For any given day that KAW's proposed facilities are called upon to produce 20 MGD instead of the 6 MGD base load, KAW expects an increase of \$2,502 per day due to increased power and chemical costs.

For any given day that KAW purchases 20 MGD from the LWC pipeline over its required 10 MGD purchase, KAW would expect an increase of \$17,887 in increased purchased water and power costs excluding any associated wheeling costs.